



Harnessing Local Capacity: U.S. Assistance and NGOs in Pakistan

Nadia Naviwala

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OVERVIEW.

The motivating question for this Harvard Kennedy School (HKS) Policy Analysis Exercise (PAE) is: How can USAID spend the new \$7.5 billion development assistance package for Pakistan more effectively by engaging local NGOs and leaders?

This PAE introduces the term locally-funded NGOs (LFNs) and recommends that USAID determine how to assist them because:

- LFNs characterize most of the sector—87% of NGO funding in Pakistan comes from indigenous sources while less than 6% is from foreign governmental sources;
- LFNs are distinct from foreign-funded NGOs (FFNs) in terms of incentives, organizational performance, and civil society value. Research shows that FFNs have low organizational performance and almost no civil society value;
- LFNs can help USAID meet development and public diplomacy objectives, particularly since FFNs are sometimes negatively perceived in Pakistan.

The challenge for USAID is to work with LFNs without converting them into foreign-funded NGOs. This PAE suggests that USAID can achieve this by following principles of “non-distortionary” and “demand-driven” assistance.

Non-distortionary means that aid should not distort the budget, structure, support base, or incentives of individual NGOs. Aid should also be demand-driven, instead of donor-driven, to promote local ownership.

LFNs are further divided into organizations that are large and small. While large organizations can be easily identified in Pakistan, based on reputation and certification, and may be easier to work with, USAID also should accommodate small and sometimes informal NGOs because they form the bulk of the sector and engagement would advance U.S. development and public diplomacy goals.

Another distinction is between existing and new initiatives. Estimates of the NGO sector, at \$200 million in 2000, indicate that existing organizations can only accept small (relative to USAID’s scale) amounts of funding without being distorted. However, USAID may find higher absorption capacity and flexibility in new civil society initiatives designed to be large scale.

Although NGOs can be effective service delivery providers, they cannot be a ‘national solution’ due to issues of scale. USAID may be able to facilitate public-private partnerships and greater coordination between NGOs and the Government of Pakistan (GOP). Despite some hostility between the Government of Pakistan (GOP) and NGOs, there is recognition of mutual need and a willingness to cooperate. Large public-private partnerships (PPPs) already exist in education, rural development, and microfinance.

This PAE suggests the following spending mechanisms:

- Public “donations” or grants to support the work of large, top-performing, and reputable NGOs.
- Programs to reach small organizations, either through intermediary NGOs or a small grants program involving minor amounts

that can be granted with low reporting requirements.

- A competitive grants fund that Pakistanis can apply to for project funding.
- Greater engagement with NGO, business, and civil society leaders to identify proposals, new initiatives, and needs.
- Continued contracting with foreign-funded organizations, but with emphasis on supporting existing work and priorities.

Other findings in this PAE are:

- Ninety percent of NGOs are in Punjab and Sindh, indicating that an NGO-based approach might not work in NWFP and Balochistan.
- NGOs are concentrated in urban population centers, where there is high capacity to engage local development, civil society, and political leaders for public diplomacy and development purposes.
- The sector has an estimated worth of \$200 million. However, Pakistanis and Pakistani-Americans give a total of \$740 million annually (or \$2.3 billion if volunteer time is included). The majority of Pakistani giving goes to needy individuals over organizations. This is largely due to mistrust of NGOs.
- The indigenous NGO sector is based on faith and philanthropy.
- Culturally, sincere development efforts are identified with charity and volunteerism to help the poor. Foreign development activities, because they involve profits, political motivations, and secular causes such as women's empowerment, are treated suspiciously. From a public diplomacy standpoint, USAID might want to stress the charity aspects of its work.

- However, while there is broad acceptance for charity in society, there is little difference between the activities of local and foreign-funded NGOs. Both are interested in sustainable development.
- Local NGOs are actually performing better than the public perceives.
- Overall impact of the NGO sector is weak because it has a low impact on the public sector.
- There is an information gap between Pakistanis and Pakistani-Americans. Pakistani-Americans are often unfamiliar with Pakistani NGOs and support their own organizations instead, which have less name recognition in Pakistan than indigenous efforts.

This PAE also identifies potential partners and proposals. The author can provide contact information and full proposals for the projects described in this report, as well as a few that are not included.

The paper concludes with a case study in education, describing the experience of The Citizens Foundation (TCF), a large and internationally respected Pakistani schools-building NGO, when it tried to partner with USAID in 2009. It illustrates many of the issues raised in this paper, including the decisions and options that USAID faces in exploring partnerships with education NGOs. It also describes the diversity of approaches being taken by NGOs to education in Pakistan.

This PAE is based on existing research as well as 48 interviews with NGOs, officials, and civil society leaders in Karachi, Islamabad, and Washington, DC. (See Appendix 1.)

PART I. COMPOSITION OF THE NGO SECTOR.

Number. The number of NGOs in Pakistan was estimated at 100,000 in 2009, including registered and unregistered organizations.¹ However, the number of registered and active organizations is much smaller. A 2001 study counted 56,000 registered organizations in Pakistan with an inactivity rate of 53%, leaving approximately 30,000 active and registered NGOs.² Another study in 2001 estimated 10,000 registered and active NGOs.³

Effectiveness. Only a small fraction of NGOs are organized, sustainable, and effective. A report by the Canadian International Development Agency (CIDA) estimates that there are less than 100 effective NGOs in Pakistan and thousands of weak community-based organizations (CBOs).⁴

Growth. The number of NGOs has been growing since the 1980s, mostly in response to the state's failure to provide social services. The sector has experienced significant growth in the past decade, with government sources estimating 60,000 to 70,000 NGOs in 2001 and 100,000 in 2009.⁵

Regional Concentration. NGOs are heavily concentrated in Punjab and Sindh,

Perceptions of NGOs

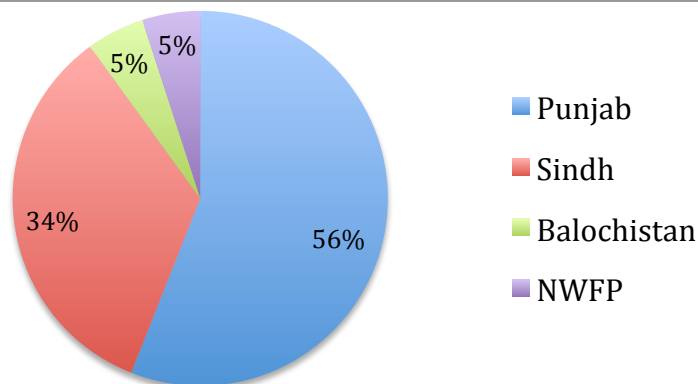
Pakistanis react to the term “NGO” in conflicting ways. Generally, the term is very negatively perceived because it is associated with foreign-funded organizations or secular causes as well as perceived elitism, high material comfort, and lack of visible signs of work. However, within the GOP, donors, and NGO community, the term is associated with a broader range of organizations, and many locally-funded NGOs believe that they are the only hope for Pakistan's social services needs, given the government's poor record. Research and the author's interviews indicate that the performance of local NGOs is actually much better than the public gives them credit for.

56% and 34% respectively. Only 5% of all NGOs are in NWFP and another 5% in Balochistan. The paucity of NGOs in NWFP and Balochistan is due to logistical difficulties, widespread illiteracy, limitations on women's mobility, and tribal/feudal barriers.⁶

The regional disparity suggests that an NGO approach that works in Punjab and Sindh might not work in NWFP and Balochistan.

Urban/Rural Divide. An estimated 78% of NGOs are based in urban areas.⁷ The feudal system makes it difficult for NGOs to penetrate rural areas.⁸

Regional Distribution



Sectors. The largest sectoral concentration is in education. Of 46% of NGOs involved in education, 30% provide religious education.⁹ Of the remainder, 8% provide primary education, 5% provide secondary education and 3% provide vocational, technical, or special education.

Another 5% are religious organizations, mainly administering events and processions,¹⁰ bringing the total of Pakistani NGOs based on religious education or promotion to 35%.

The second-largest concentration is in civil rights and advocacy, of which 15% lobby for local civic amenities.¹¹ The remaining 2% advocate at the national level.

Only 6% are health sector NGOs. Outpatient health services, such as immunization, are provided by 4% of NGOs, while inpatient hospital care is provided by 1%.¹²

Four percent of NGOs report sports as their main activity.

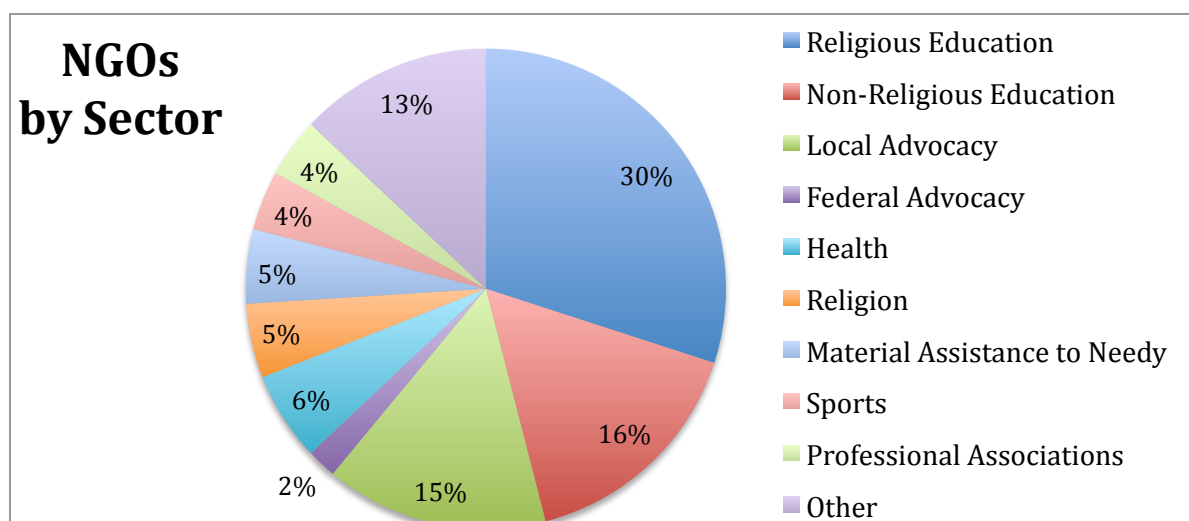
Employment and Volunteering. NGOs in Pakistan employ 265,000 people, with about six to nine employees per organization, which is approximately 2% of non-agricultural

employment. Seventy percent of employment is in the education sector, of which 17% is religious.

Another 212,000 people work as volunteers. The highest share (30%) is for religious activities and education.¹³

In contrast to these findings, a 1991 UNDP study found that 90% of people in the sector were volunteers while 10% were paid employees.¹⁴

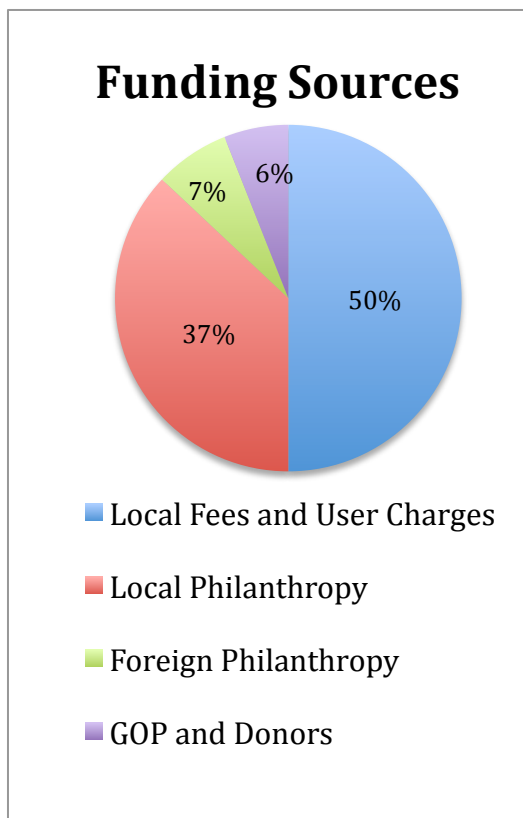
These figures illustrate how, in developing countries, NGOs and teaching are attractive sources of business and income. This becomes more true when foreign aid is channeled to local actors. Business incentives in the development sector create a risk of corruption and service failure, reflected in weak foreign-funded NGOs and high teacher absenteeism. Instead, those with altruistic motives tend to volunteer. Accordingly, the public can be suspicious of people who profit from development work, while credible efforts are often unpaid (at least among leaders of an organization) and emphasize outward performance over internal formality.



WHERE IS THE MONEY COMING FROM?

Finances. The revenue base of the NGO sector was 16.5 billion rupees in 2000, or \$200 million. However, there is reason to believe that it is much larger now given the growth of the sector from an estimated 60,000 to 100,000 NGOs in the past decade.¹⁵ Also, NGOs are only receiving part of total philanthropy in Pakistan.

Sources of Funding. Contrary to popular perceptions, 87% of NGO funding is based on indigenous sources. Public sector contributions, including bilateral and multi-lateral aid such as grants and contracts, are only 7% of the revenue base. Private foreign philanthropy, from individual, foundation, and corporate sources, is 6%.¹⁶ Of that figure, only 0.59% is foreign donations from individuals, probably Pakistani expatriates.



Faith and Philanthropy in Pakistan

Pakistan has a deep-rooted culture of philanthropy, in response to both religious mandates and high social need. A 2000 study by the Agha Khan Foundation rated Pakistan one of the most charitable countries in the world.

According to the Pakistan Center for Philanthropy, Pakistanis gave nearly \$1.3 billion in 1998, consisting of \$540 million in cash,¹ \$530 million in volunteer time, and \$200 million in-kind contributions. Ninety-three percent of corporations in Pakistan are also involved in philanthropy.¹

Philanthropy is actually bigger than NGOs in Pakistan, because most people give directly to individuals instead of organizations. Of \$1.3 billion in giving, 45% went to organizations and the rest went directly to individuals. Corporations gave only 36% to organizations.¹

The high amount of giving through unorganized means indicates that there is high potential for new NGOs and projects from within civil society. This is demonstrated by the proposals for new projects included in this PAE.

The philanthropic and volunteer nature of most Pakistani NGOs explains why it varies in effectiveness and is mostly informal. The passion-driven nature of the sector can make it very effective, particularly at service delivery. But its informality allows for inefficiencies, and even corruption.

PART II. RECOMMENDED APPROACH.

Below is a suggested classification system that USAID can use to distinguish between Pakistani NGOs, illustrated by the chart on page 10. It classifies NGOs according to their source of funding, size, and whether they are established or new initiatives.

LOCALLY-FUNDED NGOS (LFNs)

LFNs are the largest segment of NGOs in Pakistan. While half of LFNs generate revenue through fees and user charges, the most effective and reputable organizations are likely to be funded through local philanthropy (37%).

Partnering with these organizations can further USAID's objectives in development and public diplomacy.

Large, Existing NGOs. These are Pakistan's most well-known NGOs. They are often large scale projects, funded by donations of millions or tens of millions of dollars annually. They may be mostly urban-based in the education and health sectors.

Since these NGOs are founded in response to the state's failure to provide social services, they can be hostile, reluctant, or uninterested in working with the government. These organizations are very passion-driven, value their independence, and take pride in implementing 'Pakistani solutions to Pakistani problems.' They are the least likely to seek USAID funding and the most likely to walk away if their values are at stake. However, some of these organizations are growing unwieldy, worried about financial sustainability, and realizing a need for public sector-scale funding.

The Pakistan Centre for Philanthropy's (PCP) "Directory of 84 Certified Nonprofit Organizations" is a good guide to Pakistani NGOs. Published in 2006, includes detailed information about the origins, activities, achievements, and funding sources.

The Government of Pakistan outsourced certification of nonprofit organizations to PCP in 2003.

Organizations interviewed for this report and recommended as potential partners are:

- **The Citizens Foundation (TCF)**
Builds and runs 600 schools country-wide.
- **Sindh Institute for Urology and Transplantation (SIUT)**
One of world's largest centers providing free kidney, dialysis, and transplantation services.
- **Memon Medical Institute (MMI)**
Planned, second-largest hospital in Karachi.
- **Zindagi Trust**
Runs a "model" government school and lobbies for policy reform.

Other well-known NGOs in this sub-sector are:

- **Edhi Foundation**
- **Shaukat Khanum Cancer and Research Hospital**
- **Fatimid Foundation**
- **Kidney Center**

Prominent advocacy organizations are:

- **Human Rights Commission of Pakistan**
- **All Pakistan Women's Association**

Large, New Initiatives. USAID may find many NGO, business, and civil society leaders with existing proposals for new, large projects. These may have higher absorption capacity than the existing NGO sector and it may be easier for USAID to be involved in new projects that are more flexible and amenable to its involvement, rather than established ones. Although privately-initiated, these projects usually envision or will easily accommodate a Government of Pakistan (GOP) role.

The proposals included in this PAE are:

- **Karachi School of Business and Leadership (KSBL)**
- **Children's Museum for Peace and Human Rights (CMPHR)**

Small NGOs and Initiatives. Civil society in Pakistan, particularly in urban centers such as Karachi, is vibrant. Small initiatives form the bulk of activity, but would be difficult for USAID to engage due to their very small size and informality. However, this PAE recommends that USAID accommodate this sector because it has high public diplomacy value and may have unique access to hard-to-reach areas.

FOREIGN-FUNDED NGOS (FFNs)

FFNs are the easiest sector for USAID to work with through its existing mechanisms. However, they are a small subset of Pakistani NGOs, representing less than 6% of the sector's total value. Research, described in the Part III, also finds that they have lower organizational performance and no civil society value, relative to LFNs. However, in the author's experience, some enjoy more respect than others.

Organizations interviewed and recommended by this report are:

- **Thardeep**

Comprehensive support to communities in rural Sindh under the National Rural Support Program (NRSP).

- **Aahung¹⁷**

Sexual health and rights education and training to reduce: maternal mortality, fertility rate, HIV/AIDS, child abuse, hepatitis.

- **Indus Resource Center**

Rural education and welfare.

Pakistani-American Philanthropy and NGOs

A recent study on Pakistani-American giving found that:

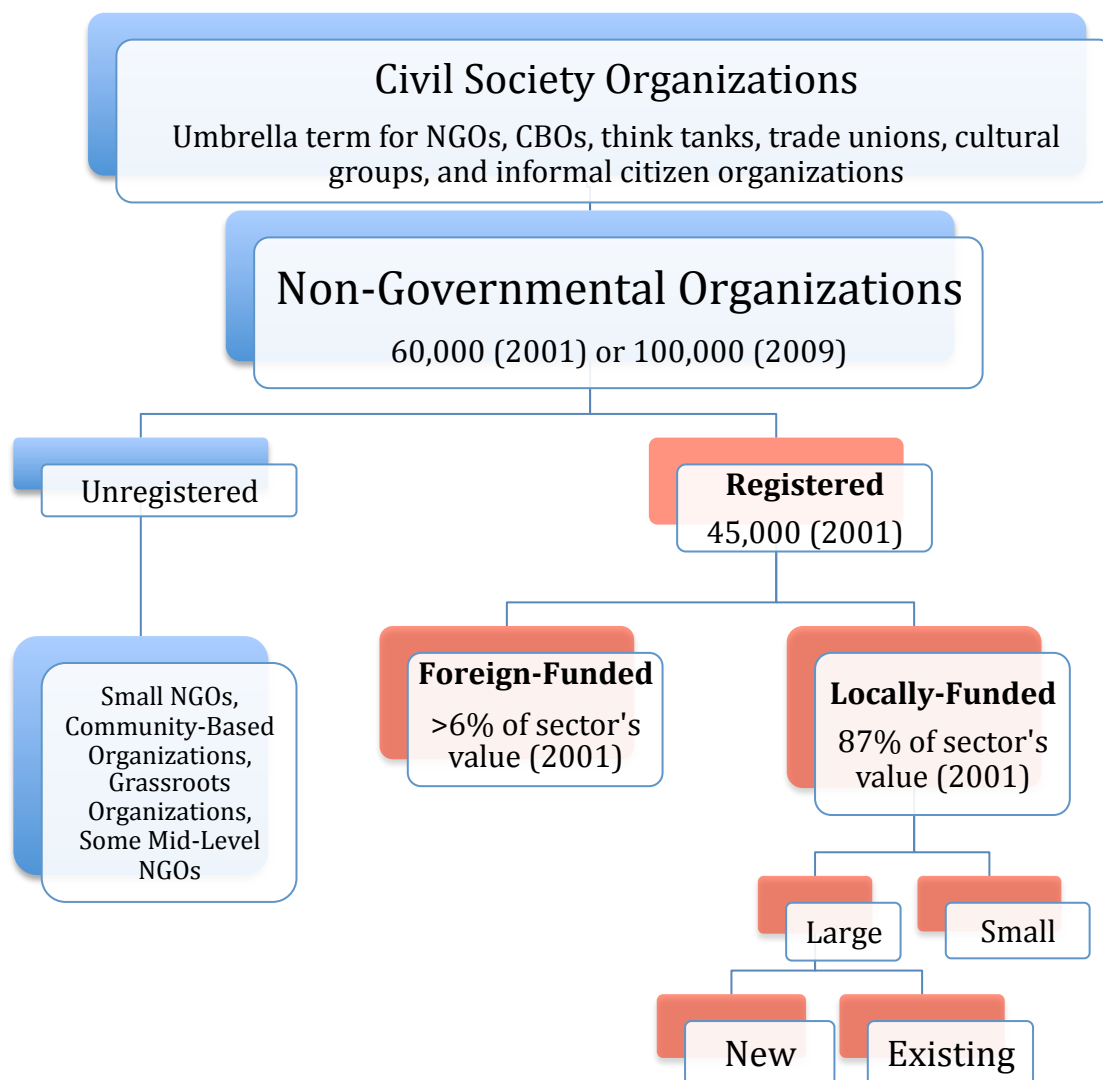
- Pakistanis gave \$1 billion in 2006, consisting of \$200 million in cash, \$50 million in kind, and \$750 million in time.
- Forty percent of giving went to Pakistani causes in Pakistan, 20% went to Pakistani causes in the United States (community organizations), and 40% went to causes unrelated to Pakistan.
- The majority of giving goes to needy individuals through personal networks, rather than organizations.
- Mistrust of Pakistani NGOs in Pakistan is high. Seventy to eighty percent of Pakistani-Americans believed that NGOs in Pakistan were either inefficient, dishonest, ineffective, or inattentive.

Pakistani-Americans are usually not familiar with the most successful NGOs in Pakistan, and support their own organizations instead, such as DIL and Human Development Foundation. However, these organizations have low name recognition in Pakistan, relative to indigenous efforts.

There is a mutual recognition of the need for more awareness and fundraising among Pakistani-Americans for good Pakistani NGOs. Pakistani NGOs are eager to raise Pakistani-American dollars. Among Pakistani-Americans, 93% believe the diaspora could give significantly more. The biggest barriers to giving were: trust in organizations, perceived difficulty of giving, and lack of information on causes.

Source: "Philanthropy by Pakistani Diaspora in the USA" available on website of Pakistan Centre for Philanthropy.

Chart 1. Navigating Pakistan's NGO Sector



PART III. FOREIGN-FUNDED VS. LOCALLY-FUNDED NGOS.

Pakistan's most prominent NGOs differ markedly based on whether they are locally- or foreign-funded. This section summarizes an Oxford University study of 40 Pakistani NGOs, which shows that foreign-funded NGOs (FFNs) have higher material incentives, lower organizational performance, and no civil society value, relative to locally-funded NGOs (LFNs). It illustrates the need for USAID to be able to work with LFNs without converting them into FFNs.¹⁸

No Civil Society Value. Donors have traditionally viewed NGOs through the lens of "civil society," but the study showed that twenty of Pakistan's most prominent FFNs had no civil society value. They had no volunteers, were unable to mobilize local resources, and were entirely dependent on foreign aid.

LFNs, by contrast, either had a core group of volunteers or were entirely run by them. They also demonstrated strong grassroots support by relying entirely on local donations and getting discounts and free services from suppliers and professionals who recognized they were working for a good cause and not personal profit. The latter form of local support also helped LFNs keep costs down.

It is challenging for LFNs to begin accepting foreign funding. One organization said that that they nearly collapsed due to the influx of foreign aid, perhaps due to the budget impact. The organization also began attracting people interested in personal gain, while sincere workers and volunteers left. In another case, when a small community-based LFN began receiving foreign aid, some members refused

to pay fees, suspecting that the organizations was profiting or "hiding away money."

Simply the availability of foreign funding opportunities can have a negative impact LFNs and change the nature of the sector. Many LFNs in the study noted difficulty retaining younger volunteers due to the availability of foreign funded opportunities. The head of the oldest women's rights organizations in Pakistan said that many younger female volunteers were motivated to join for training and then left to set up their own NGOs.

Material Motivations. Pakistani FFNs have substantially high material incentives and are primarily responsive to donors while LFNs are motivated by ideological commitment and are responsive to local need.

FFNs in the study had high salaries, often more than market value, were initiated in response to or to maintain donor funding, changed target beneficiary populations according to donor demand (often continuously), and exhibited high material comfort in terms of expensive offices and vehicles.

The leaders of LFNs, however, received no payment for their work and often made major financial contributions to set up the organization. The organizations were set up in response to an incident or public problem, motivated by the existence of a clear beneficiary population, and had very modest offices, often part of a corporate office or house and in the project site.

Low Organizational Performance.

Performance was defined as “organizational performance,” or the organization’s ability to survive and stay focused on its stated mission. This may not be as useful as measuring project performance, but it nonetheless led to some useful findings.

The study found that the use of development discourse did not affect the approach or activities of NGOs. Although FFNs and LFNs used different language—the former used sophisticated development discourse while LFNs used language reflecting religious, moral, or social responsibility—they did not differ in outlook. For example, while there is a perception that LFNs are primarily interested in charity while FFNs pursue sustainable development, both aimed to empower communities and make them self-sufficient.

FFNs were also negatively impacted because they tended to fluctuate in terms of activities, objectives, and even sectors, according to donor preferences. Among them, smaller, rural-based FFNs were more donor-driven. And while larger, often Islamabad-based FFNs could resist donor pressure, the smaller FFNs noted that they were out of touch but got the major projects because they invested in networking. According to one donor agency, NGOs, referring to FFNs, were simply contractors.

By contrast, LFNs set their own agendas in response to the local constituency. Most LFNs were actually not interested in donor funding. They preferred to maintain their independence in agenda setting and avoid dependence on outsiders.

FFN budgets fluctuated dramatically in the short-term. Some NGO budgets multiplied 500 times over two years, due to donors such

as USAID. This raises issues about the ability of small organization to suddenly absorb and spend high amounts of funding efficiently and sustainably. Short-term budgets also meant that organizations were only committed to projects as long as funding was available.

LFNs, by contrast, experienced slower but more stable increases in funding and were committed to continuing projects till the target was achieved, perhaps indefinitely.

Finally, the leaders of both foreign- and locally-funded NGOs tended to come from upper- or middle-income backgrounds, countering notions that foreign-funding might allow anyone to start an NGO. The study cites one NGO leader saying, “The NGO work is for educated people; not the common man. A common man cannot write proposals, use e-mail, and the fax machines.”

The author’s discussions with Pakistanis in the development sector (4) who had worked with donor projects indicate a huge mismatch between resources, needs, and capabilities and an over-emphasis on “paper trails” rather than actual work. According to one former chief of party, corruption, mismanagement, and conflicts of interest still persist. Another interviewee suggested that there were “fake reports and fudged outcomes.” Two interviewees suggested that USAID needs to engage more consistently with Pakistani development leaders in order to identify needs and the best indigenous capabilities.

ACHIEVING DEVELOPMENT OBJECTIVES: NON-DISTORTIONARY AND DEMAND-DRIVEN AID.

WHILE USAID MAY CONTINUE TO CONTRACT WITH FOREIGN-FUNDED ORGANIZATIONS, IT SHOULD DEVELOP AN APPROACH TOWARDS LFNs THAT DOES NOT DISTORT ITS INCENTIVES, SUPPORT BASE, OR STRUCTURE, AND PRESERVES ITS DEMAND-DRIVEN CHARACTER. PART IV SUGGESTS SPECIFIC SPENDING MECHANISMS THAT REFLECT THESE PRINCIPLES.

Non-Distortionary. USAID partnerships should be non-distortionary, meaning that aid should not distort an organization's budget, support base, or structure.

First, USAID grants should be sized appropriately to LFNs, to avoid distorting the organization's incentives and displacing its support base. This will be difficult for USAID—running counter to the agency's impulse to spend large amounts of money in chunks that it can easily monitor.

Second, the process by which a LFN receives funding should not sidetrack the organization from its existing mission or supporters. Pursuing donor funding for the first time is a major decision for a LFN and the process can be demanding in terms of time, resources, and staff attention. And because U.S.-funding can be controversial, a worse effect occurs when major local donors hear rumors and begin to question why their continued support is necessary.

One organization that “walked away” from USAID was a large, successful public-private partnership in education. Instead of asking how USAID could support the organization's existing work or priorities, USAID asked if they could build literacy centers. They were not interested—they already had enough work and funding.

Finally, partnering with USAID should not distort the internal structures of organizations that are already working well—often very professional, accountable, and enjoying high local support. They may not fit USAID or U.S. government-wide definitions of “formality” and “professionalism” but attempting to change them, through onerous requirements or “capacity-building,” can lead to more waste and lower development outcomes.

Demand-Driven. USAID should allow successful LFNs to continue to set their own agendas, rather than following those developed by USAID. This will allow NGOs to maintain their organizational integrity. It will also promote local ownership and protect USAID projects from being “donor-driven” and short-term.

This will require USAID to support more existing work, perhaps through grants, instead of approaching organizations with their own requirements or advertising USAID-defined work. USAID should also determine how locally identified solutions support its own objectives, and develop more even partnerships with local actors.

When USAID released a contract to develop a children's television program in January 2010, many people contacted the president of Pakistan's largest television network, but he did not seem interested. He asked me, “Where is the creative process? **No one wants to be a distribution platform for USAID.**” Instead, he suggested that USAID could better spend the money by setting up an animation studio that would also promote jobs and a competitive industry in Pakistan.

ACHIEVING PUBLIC DIPLOMACY OBJECTIVES: VISIBILITY.

U.S. ASSISTANCE TO PAKISTAN IS A PUBLIC DIPLOMACY LIABILITY THAT NEEDS TO BE TRANSFORMED INTO AN ASSET. GENERALLY, PAKISTANIS NOTE THAT THEY CONSISTENTLY HEAR ABOUT AID BUT NEVER SEE IT. THE PROBLEM IS COMPOUNDED WITH THE CURRENT AID PACKAGE, WHICH HAS BEEN SURROUNDED BY PUBLIC CONTROVERSY, BUT HAS ALSO RAISED EXPECTATIONS.

IN RESPONSE, USAID HAS RECOGNIZED THAT ITS ASSISTANCE NEEDS TO BE MORE VISIBLE. LOCALLY-FUNDED NGOS (LFNS) CAN HELP USAID ACHIEVE VISIBILITY AND THEREBY FURTHER PUBLIC DIPLOMACY OBJECTIVES.

Winning Hearts and Minds? The idea of public diplomacy should be sharpened. Instead of winning hearts and minds through service delivery, the United States should focus on winning respect through aid well-spent.

The ability of the United States to “win hearts and minds” in Pakistan through schools and hospitals is overestimated because:

- (1) Given the size of the country, USAID can only reach a small percentage through direct service delivery;
- (2) USAID is moving away towards intangible forms of assistance through its focus on energy and economic growth;
- (3) USAID cannot always brand or claim its work, preferring to let the GOP take credit instead; and

(4) In a culture that can be cynical towards government efforts and socially transactional, Pakistanis are likely to accept U.S. gestures without excusing Americans for their policies.

An interviewee said, “We will take your money, but our hearts and minds are not for sale.”

Visibility and Communications.

Instead, U.S. assistance faces some basic challenges to winning public confidence and credibility. First, because most Pakistanis have heard of U.S. aid but no one has seen it, people tend to assume that the GOP is pocketing it with American acquiescence, particularly since the U.S. needs the GOP’s support in fighting terrorism. There is an even larger image problem now, associated with the United States giving aid to a government under President Zardari, who is publicly regarded as highly corrupt. Secondly, “KLB” or “Kerry-Lugar bill,” the bill that authorized the current assistance package, has become a household term in Pakistan with sometimes only negative connotations due to a parliamentary and public outcry against conditionalities in the bill in October 2009. Finally, KLB can eventually be used against the United States if people perceive that it is fuelling corruption, furthering elite interests, or wasted.

Therefore, if the United States wants Pakistani to believe that it has a sincere interest in improving their welfare, USAID’s public diplomacy objective should be to ensure that (1) Pakistanis understand how assistance is being spent and (2) assistance is visible.

PART IV. RECOMMENDATIONS:

SPENDING MECHANISMS.

Each of the suggestions below advance development and public diplomacy objectives through spending mechanisms that allow assistance to be non-distortionary, demand-driven, and visible.

LARGE LFNS

USAID should recognize the work of top-performing LFNS in Pakistan through respectful support and engagement.

Public “Donations” or Grants. USAID can make either symbolic or serious contributions to support the work of top-performers that enjoy broad local support.

In many cases, this may be the only way for USAID to partner with this set of organizations. Many of them are not interested in compromising independence, restructuring operations, or accepting political liability to partner with USAID. In interviews, it was clear that many had structures their budgets and values on local, non-governmental funding, and were hesitant to accept non-Pakistani or governmental aid.

In interviews, the author found the leaders of four top-performing NGOs uninterested in USAID. They did not realize how difficult it is to work with USAID, but their disinterest was based on the assumption that political “strings” would be attached.¹⁹ They, however, pointed out that USAID could offer a donation like any other donor.

Some organizations that were not familiar with USAID did not mind the idea of

Summary of NGO Views on USAID

There were a few patterns in the author’s interviews with NGOs and individuals in Karachi. Most interviewees (7) who had never been exposed to USAID before, but knew of U.S. aid coming to the country, were very interested in learning how they could access assistance for their work. Several Pakistani NGOs (6) that subsisted on international donor support were unsurprisingly interested in USAID. A few individuals (4) who were familiar with USAID offered valuable and informed criticisms of the agency. The most respected and well-funded organizations were not interested in working with USAID and some had actually already walked away from USAID funding. Only one interviewee took a principled stand against accepting money from the United States.

branding, assuming that would be “fair” since they commonly offer branding for other major donors.

Funding New Infrastructure. Many organizations have plans to expand their infrastructure and operations. For example, the Memon Medical Institute plans to build a nursing school and teaching hospital while the Sindh Institute for Urology and Transplantation wants to build treatment centers in interior Sindh. Through engagement, USAID can identify major, new projects where its support will very valuable.

These projects may also have higher absorption capacity.

Challenge: New infrastructure risks becoming aid-dependent and independently unsustainable. USAID would have to design its support and work with local donors to protect against this problem.

Endowments. Many of the organizations interviewed were worried about sustainability as demand and operational expenses grow, while the market of indigenous philanthropy is limited, increasingly competitive, and subject to financial shocks. A common request was for support or seed money to create endowment funds. Only a major donor like USAID has the level of funding to make this possible.

Challenge: Foreign-funded endowments risks creating aid complacency. Endowments should not completely displace the organization's fundraising efforts or make the support base feel unnecessary.

SMALL LFNS

Small Grants Program. USAID should consider creating a small grants program modeled after the World Bank's Small Grants Program. The program disburses small amounts, \$2,000 to \$5,000, with a low reporting burden on organizations. Instead, the emphasis is on in-person monitoring. When World Bank officers visit districts to check on larger programs, they visit small grant recipients as well. Small grants will create visibility of USAID among the leaders of small NGOs—likely the critical mass of the sector—and their beneficiaries. Small, flexible grants may also achieve the highest rate of development impact.

Challenge: A small grants mechanism with low reporting requirements comes with a high risk of corruption, but USAID may have to accept

some risk in order to realize higher development and public diplomacy outcomes.

Intermediaries. Alternatively, USAID can create an intermediary organization to manage small grants or work through existing intermediary NGOs. Many NGOs, particularly ones working in rural areas, support and work through smaller community-based initiatives. Others, such as Aahung, have developed a competitive advantage in a product, such as trainings, then proliferate it through partnerships with smaller organizations. Working through large, intermediary NGOs is an alternative to partnering directly with small organizations.

Competitive Grants Fund

Interviewees across the board suggested or supported the idea of a competitive grants fund that Pakistanis could apply to for project funding. This fund would be devolved from USAID and have a decision-making board consisting of USAID representatives, GOP officials, reputable Pakistanis in the development sector, and business leaders.

Some suggested that it be run as a Social Innovation Fund, with USAID providing seed money for sustainable investments. This would provide funding for projects beyond USAID's 5-year horizon. Interviewees suggested the Acumen Fund or U.S. Department of Education's Race to the Top as possible models.

According to one business leader, in a devolved, investment-oriented set up, USAID would get credibility in exchange for control. It would also overcome the obstacles of short-term political commitments and staffing within both USAID and the GOP to enable long-term sustainable development.

FOREIGN-FUNDED ORGANIZATIONS

USAID may continue to contract to Pakistani FFNs, but the principles of non-distortionary and demand-driven assistance still apply.

Appropriately-sized contracts.

Although Pakistani FFNs may perform better than American contractors due to their local familiarity, they are likely to have the same problems with inefficiencies, particularly in a nontransparent environment. USAID should recognize the impact that a huge influx of funding can have on a small organization's values, incentives, and structure, and make sure that contract amounts are appropriate to existing budgets.

One Pakistani NGO handling foreign contracts in Karachi commented: We can handle \$2 million very efficiently, but if you give us \$20 million, we become corrupt. The problem is that USAID comes up with huge contracts, perhaps \$90 million, and we don't have that capacity. It would be more effective to give that money to a 100 good grassroots organizations. The problem is not our capacity, but yours.

Supporting existing work. Instead of approaching FFNs with projects in mind, USAID should also be open to supporting existing work and giving FFNs latitude to define new work.

In interviews, the author found that some FFNs were more "donor-driven" than others. Several reputable FFNs develop their own agendas and then ask donors to support it. In most cases, the donor was a foreign foundation or corporation that had a long-standing relationship with the NGO, reviewed its agenda periodically, and then chose which parts to support, in line with their own goals.

ALTERNATIVES TO DIRECT FUNDING

In-Kind Contributions. If it is difficult for USAID to provide direct funding, then it can provide material support instead. Hospitals, such as the Memon Medical Institute, need equipment. The City of Karachi could use fire trucks. Many organizations could use construction support for schools and hospitals, suggesting that USAID could survey ground needs and then deploy its existing construction contractors to do the work.

Many organizations suggested support in this form, recognizing that USAID might be reluctant to give cash support. USAID may already be doing this, particularly with respect to computers, but a survey of needs amongst NGOs and local leaders might make this type of assistance more effective.

Filling Gaps. Organizations have unique needs. Besides endowment, some could use technical assistance, support for particular projects, or material contributions. And some may need seed money to expand or develop new initiatives, such as policy research or government relations arms.

Capacity-Building

In 2006, approximately 20 Pakistani NGOs were certified under a USAID capacity-building contract, the Institutional Management and Certification Program (IMCP). A final list of certified organizations nation-wide can be obtained from the Agha Khan Foundation NGO Resource Centre.

Ironically, however, none of the participating NGOs received USAID funding upon certification, although a few did manage to get funding much later. Instead, the program helped the NGOs attract funding from other donors.

RECOMMENDATIONS:

MANAGING PUBLIC PERCEPTIONS OF AID

Urban Centers. While development needs may be higher in rural areas, and U.S. strategic concerns more relevant to northern, tribal, and border zones, public opinion is shaped in urban areas. One-third of Pakistan's population lives in urban areas—mostly Karachi and Lahore, but also Faisalabad, Rawalpindi, Multan, Hyderabad, Gujranwala, and Peshawar.²⁰ Karachi, a mega-city of 12 to 18 million people, is also the largest Muslim and Pushtoon city in the world. The concentration of media, NGOs, and civil society activists in these cities makes it imperative for USAID to increase its visibility and engagement urban actors.

Unsolicited Proposals. With news of increased U.S. development assistance, most NGO and civil society leaders want to know how to apply for it. There may be a view within USAID that Pakistani know that they can submit “unsolicited proposals,” but in the author's interviews with LFNs in Karachi, nobody knew the first step towards applying for funding. USAID should make sure that Pakistanis are aware of established mechanisms to receive funding. At the very least, the most prominent LFNs and civil society leaders should know that they can submit unsolicited proposals.

A positive recent development is that unsolicited proposals guidelines are now posted on the USAID Pakistan website. But there may be a need to translate this 70-page document into a non-technical format, appropriate for a Pakistani audience, and

targeted outreach to make sure the right NGOs and leaders are aware of it.

Increasing Access to Aid. Pakistanis not only need to be able to “see” the money through large infrastructure, but also to put their hands on it. Spending mechanisms that make aid publicly accessible in responsible ways, through small or competitive grants, have a high public diplomacy value.

Hard-To-Reach Areas. A large proportion of Pakistan's population lives in hard-to-reach areas, both rural and urban. In urban areas, one in three people lives in a slum and up to one half live in informal settlements. Increasing access to aid, particularly through small or community-based LFNs, may be the only way to access certain neglected communities.

At the same time, many large, reputable NGOs and even companies have unique or significant access to hard-to-reach areas. USAID should weight geographic access, as much as other factors, in funding decisions.

Communications. USAID should make sure that Pakistanis understand how and where money is being spent, particularly with regard to assistance channeled through contracts or the government. While USAID actively posts material on its website and often has articles in the Pakistani press, it needs better television coverage. The agency can augment current efforts by employing local public relations and media consultants.

RECOMMENDATIONS:

OTHER POTENTIAL PARTNERS.

NEW PROPOSALS

Civil Society Leaders. USAID should engage with NGO, business, media, and other local leaders to identify new initiatives, improve existing efforts, and gain local buy-in. Civil society leaders are a great source of new projects—the author found several pre-existing proposals for large-scale projects within a short time. (See page 25.)

USAID does already engage with many local leaders, but one interviewee suggested that it was “ad hoc” and USAID may be missing many individuals. USAID should create a regular engagement mechanism of local development experts, who may be NGO leaders, business leaders, or academics.

Local Governments. Local political leaders, such as mayors or parliamentarians, know the needs of their area the best but they may not gain federal visibility for political, budgeting, or other reasons. In Karachi and Hyderabad, the author found several proposals for which city governments were seeking international funding directly. Local governments may also be in a better position to promote U.S. assistance and brand projects. Currently, however, it seems that USAID cannot fund local governments directly. It may need a Memorandum of Understanding (MOU) to work with local governments or can direct contractors to do the assigned work.

ACCOUNTABILITY

USAID should engage local mechanisms to counter potential corruption and misuse of aid, and increase oversight. While exposing such issues locally may seem to run against USAID’s interests, local oversight may be a more effective than internal USAID audits or U.S. government investigations, which will leak to the Pakistani press anyways.

Parliament. The Parliament may be generally overlooked and least directly engaged with U.S. assistance and policy issues. The Public Accounts Committee (PAC), similar to U.S. congressional oversight committees, audits federal spending. They can be a useful partner to USAID in ensuring that U.S. assistance given to the GOP is not lost to corruption or other forms of misuse. PAC recovered 19 billion rupees in federal spending last year and was interested in the idea of investigating how the GOP spends U.S. assistance.

Media. The media has achieved remarkable vibrancy in the past few years with serious political and social effects. USAID may be able to engage better with popular outlets such as GEO TV to improve public understanding of how and where U.S. assistance is being spent. One leader in the media indicated that he would love to have Ambassador Holbrooke on his station, or to do more programming with Americans or Pakistani-Americans.

PART V. PUBLIC-PRIVATE PARTNERSHIPS TO OVERCOME ISSUES OF SCALE.

GOVERNMENT VS. NGOS.

While the relationship between the government and NGOs seems to be one of competition and suspicion, there is also a recognition of mutual need and cooperation. Several policy documents, national-scale partnerships with the NGO sector, and the researcher's private discussions, make clear that the government recognizes that it is not functioning properly and that NGOs are needed for social service delivery, particularly in hard-to-reach areas. The government, in conjunction with foreign donors, is also funding large public-private partnerships in rural development, education, and poverty alleviation. These are the National Rural Support Program, provincial education foundations, and Pakistan Poverty Alleviation Fund, respectively. Interestingly, the government has set up these organizations so that they are autonomous, and therefore protected, from its own influence.

At the same time, the competitive relationship is evidenced in the public battle waged by the GOP against NGOs when USAID indicated that it might fund them directly. There are at least three sources to this tension.

First, the GOP has always had a tense relationship with politically-motivated NGOs, which are perceived to be set up in order to embarrass the government. These are often human rights, pro-democracy, or women's organizations, but can also be service delivery organizations that define themselves in

opposition to the state. Second, officials spend significant time complaining that NGOs complicate the government's efforts at coordination and planning, risk duplication of efforts, and have no quality controls. However, this concern is probably the least of the government's problems, considering that most of the problems in service delivery lie with the state.

Most importantly, there is a competition for resources between the government and NGOs. While at the policy and planning level, the government recognizes that NGOs save them money and are effective service delivery providers, line and operational ministries, particularly at the provincial and local levels, see them as diverting funds and authority.²¹

The issue is significant with USAID because, as a senior Pakistani government official indicated to the author, both the government and NGOs stand to profit from U.S. assistance. Government servants sometimes take "rent" from foreign assistance, and NGOs threaten to take that away, either through legitimate or similarly illegitimate means. The official suggested that a system to replace rent- or commission-taking be institutionalized, citing Indonesia as an example. Besides quality control and coordination issues, the official suggested that this is the most significant obstacle in the face-off between the government and NGOs over U.S. assistance.

NGO VIEWS ON GOVERNMENT ENGAGEMENT.

NGOs are split on their views about working with the government. For the most part, civil society-based organizations are founded on the basis of the state's failures and ineptitude, and are therefore dismissive of the idea that the government can be productively engaged. The Citizens Foundation, for example, which is filling the gap in education, has been hesitant to work with the government, although it is now trying to modify its approach.

Through interviews, however, the author found many organizations and individuals that insist on working with the government, despite frustrations. These NGOs recognize that their scale of their work would always be too small to be a national solution. They acknowledge that the role of NGOs is to *strengthen* the government, not replace it, and that attempting to replace it is "letting the government off the hook." There is also a feeling that it is dangerous when people expect less or nothing at all from their government.

NGOs that believe in government involvement are engaging the government in different ways. Zindagi Trust, for example, has adopted and reformed a government school in order to create a new "paradigm" for what a government school should look like. In the process, it is discovering policy problems and lobbying for policy change, although so far it has only managed to gain exceptions for its own school. Other organizations, such as Aahung and Thardeep, are training government workers and working to integrate its trainings into the public system. A few, such as Aahung and Children's Museum for Peace and Human Rights, have tried letter-writing campaigns, although Aahung acknowledges that closer engagement

might have been necessary to achieve the types of policy changes they desired. Many civil society and business leaders serve on commissions and task forces and are able to raise government funds for development projects.

However, those who have been successful have usually had personality-based access. The founder of Zindagi Trust is a pop singer, and the heads of Thardeep, Aahung, Sindh Education Foundation, and SIUT come from prominent or government backgrounds, or have gained prominence through their work. Civil society proponents of government engagement similarly have pre-existing relationships based in politics or business. But for organizations and individuals who have never interacted with the government, there are no obvious doors to knock on.

A study by the Agha Khan Foundation makes a valuable point in rating NGOs as having high impact in service delivery but overall low impact.²² The low rating is because NGOs in Pakistan have had limited influence on public policy, making even their best and biggest efforts necessarily small-scale. There is a need to increase the number of NGOs involved in the public policy process, and improve the quality of engagement by those who are already involved.

Models of Public Private Partnerships

The following models might provide useful guides to USAID as it explores expanding public private partnerships between the GOP and Pakistani NGOs.

- Afghanistan Ministry of Health
- Pakistan Poverty Alleviation Fund
- Pakistan National Rural Support Programme
- Punjab or Sindh Education Foundations

PART VI. POTENTIAL PARTNERS:

LOCALLY-FUNDED NGOS

The author can provide contact information and full proposals for these and other organizations interviewed.

MEMON MEDICAL INSTITUTE (MMI)

MMI is a new not-for-profit teaching hospital planned to be the second largest hospital in Karachi. It is located near the airport and Superhighway, so that it has easy access to interior Sindh and Balochistan. It is located near several other medical, health, and educational institutions, and envisions becoming part of a “Medical City.”

When completed, the hospital will cover 320,000 sq. feet and have 332 beds. A nursing school and medical college are also planned on the 11.5 acre site. It will be fully air-conditioned and “green”—generating its own electricity and cooling instead of relying on the local power supply. It is also paperless and state-of-the-art.

MMI was planned with health and advice from the UK-based International Hospitals Group and a group of German experts. It was built and is operated entirely through local philanthropy. It opened in January 2010.

Project Cost: \$25 million

Needs: Funding or material assistance, such as medical equipment.

Outlook: They are very interested in working with USAID, less so with GOP, and would allow branding as it does with private donors.

Website: <http://www.mhef.edu.pk>

Contacts: Peer Mohammad Diwan, Chairman.
Siddiq Umar Shekha, General Manager.



Before:



ZINDAGI TRUST

Started by pop star Shehzad Roy and educationist Sami Mustafa, Zindagi Trust has adopted a large government school in Karachi. It aims to create a new prototype for what a government school should look like through drastic infrastructure, administrative, and academic interventions. In the process, they have discovered necessary policy reforms and are lobbying to government to change its policies and replicate their model. This project was started based on the belief that NGOs must work with the government, not compete with it.

Although Zindagi Trust currently runs only one school, they want to expand to 10 more schools. The current school educates 2600 students and has 150 teachers.

Project Cost: \$5.5 million for 10 schools.

Needs: Funding; assistance in working with the GOP to expand their model, particularly curriculum and books.

Outlook: They have met with USAID.

Five-minute documentary with photos: <http://www.zindagitrust.org/gov-school-documentary.asp>.

Contact: Shehzad Roy and Sami Mustafa.

After:



SINDH INSTITUTE FOR UROLOGY AND TRANSPLANTATION

SIUT is one of world's largest kidney and transplantation centers. Its state-of-the-art facilities serve the urban and rural poor. All services and medicines are free. It is independently run out of a government hospital, where it was started, and supported by local philanthropy. The GOP continues to provide funding but is not involved in management, by design. SIUT served 655,000 patients in 2008, with beneficiaries increasing exponentially every year.

The founder of SIUT insists that they are not an NGO or a public-private partnership. Instead, SIUT has brought the government and community together, to make the GOP work for "the common man."

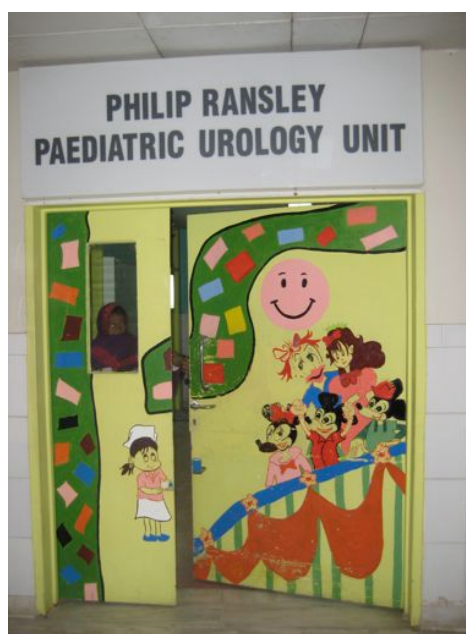
They need funding support for a new training and research center, the Institute of Transplantation Services and Biotechnology, and a treatment center in interior Sindh.

Project Size: Unknown. \$5 million public appeal for existing operations, unknown for new projects.

Needs: Funding.

Outlook: Principled stance against USAID because they take pride in being supported by Pakistanis. Conceded that USAID could contribute like any other donor. There may be scope for cooperation in new projects. Ambassador Nancy Powell has visited.

Contact: Dr. Adeeb Rizvi through Laila Jamil.



POTENTIAL PARTNERS:

NEW CIVIL SOCIETY INITIATIVES

In conducting interviews with NGOs in Karachi, the author was surprised to find several NGO, business, and civil society leaders looking for funding for large, new development projects. USAID may find significant absorption capacity in new public sector-scale projects initiated privately. Many of them envision a public sector role. Below is a sample of projects.

KARACHI SCHOOL OF BUSINESS AND LEADERSHIP (KSBL)

KSBL is an initiative to establish a business school in Karachi. It has been started by business and corporate leaders, in partnership with University of Cambridge Judge Business School. It has an International Advisory Board, which includes representatives from several American universities. A former assistant dean and chief operating officer from University of Texas at Austin has been recruited as Acting Dean.

Project Cost: \$100 million, of which \$12 million has been raised.

Outlook: They have approached USAID, acknowledging previous USAID support for Institute of Business Administration (IBA) and Lahore University of Management Sciences (LUMS).

Contact: Asad Umar, President of Engro Corp

Website: www.ksbl.org

CHILDREN'S MUSEUM FOR PEACE AND HUMAN RIGHTS (CMPHR)

CMPHR would fill a gap by providing children of all classes with an education in social issues—badly needed in a country that is so ethnically and economically diverse. It would be one of the first proactive children's institutions in Pakistan and the largest one dedicated to social issues anywhere in the world. The project has both GOP and international support and a sustainable business plan audited by KPMG. It would be a “state of the art” Karachi landmark.

Cost: \$5.9 million, of which \$650,000 has been raised.

Outlook: CMPHR has trouble getting donor interest because it works in a non-traditional area. In terms of security, it sees itself as doing “preventative” work.

Contact: Zulfiqar Ali, Director

Website: www.cmphr.org

PART VII. THE CASE OF THE CITIZENS FOUNDATION AND EDUCATION IN PAKISTAN

This case illustrates many of the issues that USAID faces in working with the largest and most effective development actors, highlighted in this PAE, based on the author's experience.

The Citizens Foundation and USAID

During the summer of 2009, The Citizens Foundation (TCF) submitted an “Unsolicited Proposal” to build 1000 schools in Pakistan. The proposal was submitted at the encouragement of USAID, after several meetings and school visits with senior staff in Islamabad, Karachi, and Lahore.

About TCF

TCF is in “the top 5%” of Pakistani NGOs. It is likely Pakistan's largest schools-building NGO and enjoys widespread support in Pakistan and high-level formal support in the United States. Remarkably, it was selected by the **Congressional Commission on Prevention of WMD Proliferation and Terrorism** to receive the proceeds of its report sales as a signal that “U.S. assistance should be designed to reach local leaders and entities as directly as possible.” TCF has received a letter of support from **Lee Hamilton, Chairman of the 9/11 Commission**, for its efforts to “combat feelings of hopelessness and expand the reach of opportunity.” Former **Senator George Allen** made a personal contribution of \$80,000 to TCF.

TCF was started by a group of Karachi-based businessmen in response to the state's failure to provide education. The organizations started with a goal to build 1000 schools. Since 1995, they have built 600 schools and enrolled 80,000 students in 63 of the worst urban slums and remote rural areas of Pakistan. They target areas where kids are on the street because they have no access to schools. TCF schools have courtyards, art rooms, and science labs—an astonishingly high standard in places where children are not used to having toilets.

The organization is entirely funded through private philanthropy, with an estimated annual budget of \$10 million. Typically, individuals and corporations sponsor schools, which cost \$130,000 to build and \$15,000 in annual operating expenses. Until recently, the organization did not invest in fundraising efforts but relied on word-of-mouth to raise money.

Approaching USAID

TCF had once been known for its hesitation to work with the government. But with operating costs rising annually, TCF had started considering public sector-scale funding and starting to explore opportunities with bilateral and multilateral donors for the first time.

TCF was reluctant to approach USAID. First, TCF was concerned that cooperation with USAID would compromise its independence. Second, it was wary that the process of engaging USAID would be a “time suck” for a very busy organization, with no results at the end.

TCF finally approached USAID, but only did so after a series of heated internal debates that progressed over the course of summer meetings with the agency. Internally, the Board was clear that it was ready to walk away at any point, if working with USAID threatened the organization's structural integrity or values. USAID had to sell itself to TCF as much as the other way around.

TCF resisted attempts by USAID to propose new projects, insisting that USAID "support what we do, the way we do it." The organization was very mission-focused and not interested in creating new education programs for USAID, which would be difficult to manage.

USAID was excited about TCF, reflecting internal discussions about the need to begin working with local Pakistani NGOs. However, USAID was hesitant about supporting a non-governmental education system and repeatedly asked, "What is the role for the Government of Pakistan (GOP)?" indicating its desire to work with the public education system.

Proposal

Finally, in July 2009, TCF submitted a proposal to USAID to build and run 1000 schools in "priority districts" identified as strategically important by USAID. TCF confirmed that it could operate in 21 of 30 priority districts because it was already running schools in most of those areas. The schools would be co-branded between a USAID campaign name, TCF, and a Pakistani citizen who would ultimately assume expenses or the GOP. TCF also proposed a model to work with the GOP: the government could provide performance-based subsidies per student for each school that met a minimum passing rate on exams that would be conducted by a third party.

At a cost of \$130,000 to build each school and \$150,000 to run it for 10 years, the total cost of the proposal was \$350 million. The schools would enroll 180,000 students, at least 50% would be girls, and create 12,000 jobs, mostly for female teachers.

TCF's chief concern was sustainability. It was adamant that it needed 10 years of operational support from USAID in order to build 1000 new schools, for two reasons. First, it refused to build schools that might be shut down if U.S. assistance was cut off for political or any other reasons, or if USAID left the country, as it did in 1991. Such a situation would put TCF's existing operations and organizational credibility at risk. Second, it would take 10 years for TCF to find local donors worth \$240 million to support 1000 schools that could displace USAID support. In short, TCF submitted a 20-year plan to an agency accustomed to one to five-year contracts.

Discussions were ongoing between July and October of 2009, followed by a long silence. Finally, in December 2009, USAID turned down TCF's proposal stating that it was only supporting projects that worked with the government.

TCF and USAID explain the experience differently. The USAID Mission in Islamabad explained that TCF had made it clear that working with the GOP was a "no-go" area. TCF reasoned that they were willing to work with the GOP but USAID had "disappeared" and there had been inadequate discussion on the topic. The USAID Afghanistan/Pakistan Task Force in Washington did not know why the decision was made. Given the multiple actors involved on both sides, it is likely that there were mixed messages from TCF and a lack of communication and some internal discord on USAID's end.

The fundamental problem for both TCF and USAID was that there is no working model for how NGOs like TCF can work with the government. Although TCF suggested a model, developing it would take significant effort, beyond the capacity of the NGO alone. Such a model would have to be developed with both the government and USAID involved.

However, TCF was ultimately relieved that their proposal was turned down. They had underestimated the political backlash associated with accepting money from the United States, given the negative attention surrounding the new aid package known as “KLB.” Accepting U.S. assistance may have irreparably damaged their reputation and credibility. Donors were also starting to ask why TCF continued to need their funding if they were receiving it from the United States. More importantly, TCF never gave serious attention to the negative effect that massive donor funding would have had on the organization’s staff, incentives, and structure.

Instead, it might have been optimal for both USAID and TCF if the agency had simply supported a handful of schools, like any other donor. This would have shown respectful support for the organization’s working model and fulfilled both development and public diplomacy goals. TCF also now acknowledges that it is more interested in being involved in developing national and USAID education policies, rather than actual funding.

Contractors

During the summer of 2009, around the time that TCF first approached USAID, the organization started receiving emails from American contractors preparing to bid on a large education contract. TCF was described in the background of a USAID “Scope of Work” as an example of a successful NGO. The contractors sought a teaming agreement with TCF to strengthen their bids. The proposed scope of work aimed to enroll 6 million children in school, or one-third of Pakistan’s out of school children, and improve 50,000 schools over five years.

Ultimately, TCF decided to try to continue its own work in direct partnership with USAID rather than compromise its independence as a subcontractor.

However, around November 2009, a construction contractor contacted TCF needing to quickly disburse \$10 million before the end of the year. TCF was wary of the sudden availability of such large amounts of funding and sought clarification. But before discussions could proceed, USAID suddenly redirected the contractor to efforts in Swat and the funding was no longer available.

Education in Pakistan: Why Can’t We Just Build Schools?

In insisting on working with the GOP, USAID has a point, which is often difficult for Pakistani NGOs to see. While NGOs may be effective service delivery providers, they cannot be a final solution. The public sector must work. For example, while TCF runs 600 schools, educating 80,000 students, there are an estimated 30,000 “ghost” schools and 17 million children out of school in Pakistan.

Therefore, USAID has turned to a GOP-based strategy, determined to make the public sector work. But working with the GOP is a high-risk approach, given its record of corruption and ineffectiveness. It may not be possible to fix the Education Ministry through money and technical assistance over five years.

More than money, the problem with education in Pakistan is a lack of political will. While NGOs and *Three Cups of Tea*-inspired efforts build new schools in Pakistan, there is actually plenty of unused infrastructure in Pakistan and a demand for education with or without it. And while USAID invests heavily in teaching training, research shows that government schoolteachers are more qualified than their private school counterparts. The public education system has failed in Pakistan because almost the entire education budget is spent on teacher salaries—for teachers who often do not show up for work. Pakistan has “ghost” schools because it has “ghost” teachers.

Even a Minister of Education cannot fire these teachers. One former minister tried—threatening to publish the names of missing teachers in the newspaper as notice that they would be released if they did not start working—but her colleagues blocked the effort. It is hard enough to release one government servant, let alone thousands.

Instead, the Ministry of Education seems to be devolving its responsibilities to provincial education foundations, semi-autonomous public-private partnerships created by the GOP. Recently, the World Bank signed an MOU with a provincial ministry to reopen 3,000 schools by June 2010. The education foundation was expected to be the implementer.

The foundation objected to the situation of the ministry trying to devolve its responsibilities to the foundation. It also pointed out that it was performing well because it refused to hire people on political bases, unlike the ministry.

In interviews, GOP servants consistently confirmed endemic corruption and the broken nature of the system. The phenomenon of “school adoption,” where NGOs and companies adopt government schools, indicate a pattern of devolution of public sector responsibilities to non-governmental actors. The decision to fix education in Pakistan will have to come from the highest levels, from leaders willing to risk their political constituencies for the public good. USAID may be able to influence the GOP to make these tough political decisions. NGOs can help the public sector reform by creating grassroots pressure and political incentives for change.

NGOs and Public Sector Reform

A minority of NGOs in Pakistan believe in working with the government, instead of replacing it, and are managing to do so despite frustrations. Instead of building new schools outside of the public education system, these NGOs are adopting government schools or providing teacher training and other forms of support.

The CARE Foundation in Lahore has adopted 172 government schools and is respected for its work. Zindagi Trust has adopted and created a “model” government school in Karachi. In the process, it has discovered many fundamental policy problems and is lobbying for reform. The author visited a government school in interior Sindh that has been adopted by a Pakistani company, reconstructed by the World Bank, and given teacher training through an NGO. The Indus Resource Center also works with government schools. One community organization in Karachi provides school vouchers for placement of students in better private schools and scholarships for higher education.

The work of education NGOs in Pakistan is diverse and disparate. Collectively, they have incubated many new ideas and approaches, but there is little networking between them. There is a particular need for networking between NGOs who are working with the government and those that are not. The government especially needs to reach out and make it easier for NGOs to work with them.

While USAID should work with the public sector, it should also be realistic about the time and risk involved in investing in a broken system. In the mean time, there is a need to educate today’s generation who cannot wait for the public system to change, and NGOs give USAID an opportunity to show results within its five- to ten-year time frame. Fortunately, USAID has enough money that it does not have to choose between the two—it can invest in both public and private education efforts.

APPENDIX 1. METHODOLOGY

Methodology

In addition to published research, this PAE is based on forty-eight interviews, mostly with NGOs and local leaders in Karachi, as well as officials in Islamabad and Washington, DC, over the course of four weeks in December 2009 and January 2010.

Interviewees: 18 NGOs, 15 Officials, 15 Civil Society

Interviews included 18 NGOs, mostly in the education (7) and health (5) sectors. Most were funded through local philanthropy (9) and some through foreign aid (6). A few large organizations were public-private partnerships with the Government of Pakistan (3).

Table 1: NGOs Interviewed

		Source of Funding			
		Indigenous Philanthropy	Foreign Aid	Public-Private Partnership with GOP	Total
Sector	Education	5	1	1	7
	Health				
	Hospitals	2		1	3
	Other		2		2
	NGO Support	2	1		3
	Rural Development		2	1	3
	TOTAL	9	6	3	18

Interviewees also included 15 officials. Official American perspectives (6) consisted almost exclusively of USAID and relevant congressional committees. Pakistani perspectives included (9) were more diverse, consisting of ministries in health, education, and finance, city governments of Karachi and Hyderabad, the embassy in Washington, DC, and a member of a parliamentary oversight committee.

Table 2: Officials Interviewed

	U.S. Government	Government of Pakistan	TOTAL
Executive	4	5	9
Legislative	2	1	3
Local		3	3
TOTAL	6	9	15

Others interviewed can be characterized as “civil society” although they formally draw from a number of sectors. They include: Engro Corporation, GEO TV News, Chemonics, International Crisis Group, Harvard’s Carr Center, and experts testifying before the U.S. Congress.

Table 3: Civil Society Members Interviewed

	U.S.	Pakistan	TOTAL
Private Sector	1	3	4
Press		1	1
Academics	4	2	6
Former USAID Contractors	1	1	2
Others		2	2
TOTAL	7	8	15

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Endnotes

- ¹ Mohit Joshi, "Over 100,000 NGOs Operational in Pakistan," *TopNews.in*, June 30, 2009.
- ² Aisha Ghaus-Pasha, Haroon Jamal, and Muhammad Asif Iqbal, "Dimensions of the Nonprofit Sector in Pakistan: Preliminary Estimates," *Johns Hopkins Comparative Nonprofit Sector Pakistan, SPDC Working Paper 1*, in collaboration with the Agha Khan Foundation, 2001, p. 8 and p. 12. This study reports 56,000 registered NGOs, with an inactivity rate of 53%.
- ³ Adnan Sattar Rabia Baig, "Civil Society in Pakistan: A Preliminary Report On the CIVICUS Index on Civil Society Project in Pakistan," A Project of the Agha Khan Foundation, *CIVICUS Index on Civil Society Occasional Paper Series*, Volume 1: Issue 11, August 2001, p. 6.
- ⁴ "A Study of NGOs: Pakistan," *Asian Development Bank*, 1999, p. 5.
- ⁵ While these are only estimates, and may be using different bases to count NGOs, both figures are from government sources. The 60,000 figure is cited in the Agha Khan Foundation's CIVICUS project. The second is from the earlier cited article, "Over 100,000 NGOs Operational in Pakistan."
- ⁶ "Civil Society in Pakistan," *Agha Khan Foundation NGO Resource Centre*, 2002, p. 13.
- ⁷ "Dimensions of the Nonprofit Sector in Pakistan: Preliminary Estimates." "Civil Society in Pakistan" reports a UNDP 1991 study that found 70% of NGOs in urban areas, p. 6.
- ⁸ "Civil Society in Pakistan."
- ⁹ This figure consists of organized activities provided by a committee of volunteers. It does not include a large number of private madrasas, particularly in rural areas. Religious education is education in the *Quran*, *shariah*, and *fiqh*. The researchers collecting this data noted that the majority of registered organizations were also providing primary education. See "Dimensions of the Nonprofit Sector in Pakistan: Preliminary Estimates," p. 13.
- ¹⁰ "Dimensions of the Nonprofit Sector in Pakistan: Preliminary Estimates," p. 13.
- ¹¹ The study describes these as community-based organizations working at the local level to communicate issues to government officials and resolve issues such as water supply, electricity, and sewage. See "Dimensions of the Nonprofit Sector in Pakistan: Preliminary Estimates," p. 13.
- ¹² "Dimensions of the Nonprofit Sector in Pakistan: Preliminary Estimates," p. 13.
- ¹³ "Dimensions of the Nonprofit Sector in Pakistan: Preliminary Estimates," p. 18.
- ¹⁴ "Civil Society in Pakistan: A Preliminary Report On the CIVICUS Index on Civil Society Project in Pakistan," p. 9.
- ¹⁵ See endnote #5.
- ¹⁶ "Dimensions of the Nonprofit Sector in Pakistan: Preliminary Estimates," p. 22, 25.
- ¹⁷ Aahung may not qualify for assistance under the "global gag rule."
- ¹⁸ Masooda Bano, "Dangerous Correlations: Aid's Impact on NGOs' Performance and Ability to Mobilize Members in Pakistan," *University of Oxford*, 2008.
- ²⁰ Article on UNFPA report at http://www.dailytimes.com.pk/default.asp?page=2007\06\28\story_28-6-2007_pg7_9
- ²¹ Aisha Ghaus-Pasha and Muhammad Asif Iqbal, "Defining the Non-Profit Sector in Pakistan," *Working Papers of the Johns Hopkins Comparative Nonprofit Sector Project*, 2003.
- ²² "Civil Society in Pakistan," p. 37.